

Message Text

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ACTION SS-25

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INFO AMEMBASSY BONN

C O N F I D E N T I A L USBERLIN 1370

EXDIS

E.O.11652: GDS
TAGS: EAIR, PFOR, GW, UK, FR, US, WB
SUBJECT: IGS FARE INCREASE

REFS: (A) BONN 8581, (B) BONN 8538

1. IN AN ARTICLE GENERALLY FAVORABLE TO THE ALLIED AIRLINES, THE DEAN OF BERLIN'S AVIATION JOURNALISTS HAS OUTLINED THE COST-PUSH REASONS FOR THE NOW-YEARLY FARE INCREASES, THE FAILURE OF THE SUBSIDY TO FULFILL ITS ORIGINAL OBJECTIVES, AND THE NEED FOR PRIVATE INITIATIVE BY GERMAN TRAVEL AGENCIES TO ENCOURAGE THE RETURN OF PRIVATE TRAVELERS TO THE AIRLINES. TAGESSPIEGEL JOURNALIST HANS VON PRZYCHOWSKI ALSO NOTED THAT WITH CONTINUINGLY INCREASING LABOR AND FUEL COSTS ON A WORLDWIDE BASIS, THE PRICE OF AIR TICKETS CAN NO LONGER REMAIN STABLE. HE ADDS THE NOW FAMILIAR COMPLAINT CONCERNING BERLIN AIR SERVICES THAT IMPROVEMENT IN ON-BOARD AND GROUND SERVICES (E.G. MORE FRIENDLINESS AND ATTENTIVENESS) ARE "NECESSARY AND POSSIBLE." ARTICLE ALSO FAVORABLY COMPARES THE PRICES OFFERED BY ALLIED AIRLINES TO THOSE OFFERED BY THE LUFTHANSA. ONLY NEGATIVE ASPECT OF ARTICLE FROM ALLIED POINT OF VIEW IS HIS STATEMENT THAT IN THE NEXT FEW DAYS "THE GERMAN SIDE IN THE BONN GROUP" WILL HAVE AN OPPORTUNITY TO REVIEW THE FARE INCREASE
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PAGE 02 USBERL 01370 210958Z

APPLICATION OF THE THREE AIRLINES, "BEFORE THE ALLIED CIVIL AIR ATTACHES AS THE HIGHEST AUTHORITY ON BERLIN AIR SERVICES" MAKE THE DECISION ON FARE INCREASE.

2. COMMENT. THIS STATEMENT CONCERNING THE GERMAN ROLE IN FARE INCREASE MATTERS PRESUMES THAT THE GERMAN PROPOSAL, REFTEL, IS IN FACT ALREADY IN EFFECT. FROM OUR POINT

OF VIEW WE THINK GIVING THE GERMANS A VOICE IN THE CONSIDERATION OF AIRLINE STATISTICS AND THE DIRECTLY RELATED QUESTION OF FARE INCREASES WILL HELP US OVERCOME THE IMMEDIATE POLITICAL PROBLEMS OF ADVERSE GERMAN REACTIONS TO YET ANOTHER FARE INCREASE. IT WOULD PROBABLY DIMINISH THE OUTRAGE OF A NUMBER OF GERMAN POLITICIANS, INCLUDING THE NEW GOVERNING MAYOR. ON THE OTHER HAND, HOWEVER, THE DIRECT INVOLVEMENT OF THE GERMANS MAY CREATE THE FOLLOWING PROBLEMS: (1) FURTHER GERMAN INTRUSION IN WHAT IS STILL AFIELD RESERVED FOR ALLIED AUTHORITY; (2) THE EXPOSURE OF ANY DISPARITY IN PROFITABILITY BETWEEN BRITISH AIRWAYS OPERATION COMPARED TO PANAM'S (REF B). THIS WOULD PROBABLY MAKE THE GERMAN PROPOSAL UNPALATABLE TO THE BRITISH, IF NOT THIS YEAR, EVENTUALLY. THE CONSEQUENCE WOULD BE OF COURSE THAT THE BRITISH WOULD RENEGE ON THE AGREEMENT THAT THE GERMANS PARTICIPATE IN THE BCATAG'S CONSIDERATION OF YEARLY PERFORMANCE FIGURES. IN ADDITION WE EXPECT THE BRITISH WOULD NOT SWALLOW A REAL GERMAN ROLE IN THE FARE INCREASE CONSIDERATION BY BCATAG. THIS IS FAINTLY IRONIC AS IT WAS THE BRITISH WHO DREAMT UP THE BCATAG IN THE FIRST PLACE.

3. WE ARE DISTURBED THAT PANAM MAY BE PADDING ITS COST FIGURES (REF B). WE THINK IT WOULD BE BETTER TO DISCLOSE THE DIFFERENCES, IF THEY EXIST, BETWEEN PAN AM AND BA PROFITABILITY, RATHER THAN GENERATE MISTRUST ON THE GERMAN SIDE. THE BRITISH WOULD PROBABLY ALSO RESIST SUCH DISCLOSURES AS IT WOULD LEAD TO A GROWING DISPARITY IN IGS TICKET PRICES WITH BA GROWING PROGRESSIVELY MORE EXPENSIVE. THIS IN TURN
CONFIDENTIAL

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PAGE 03 USBERL 01370 210958Z

COULD LEAD TO GERMAN PRESSURE TO REPLACE BA SERVICE WITH A MORE EFFICIENT PANAM OPERATION. GEORGE

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Message Attributes

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